

**Introduced by Committee on Revenue and Taxation (Oropeza (Chair), Alquist, Cogdill, Harman, Machado, Runner, Scott, and Wiggins)**

March 14, 2007

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An act to amend Sections 17299.8, 19175, and 24447 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 1044, as introduced, Committee on Revenue and Taxation. Income and corporation taxes: tax withholding.

The Personal Income Tax Law and the Corporation Tax Law disallow a deduction for amounts paid to an individual or entity as remuneration for personal services if that individual or entity fails to report payments required under specified provisions of those laws.

This bill would correct references to obsolete provisions of those laws.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 17299.8 of the Revenue and Taxation
- 2 Code is amended to read:
- 3 17299.8. The Franchise Tax Board may disallow a deduction
- 4 under this part to an individual or entity for amounts paid as
- 5 remuneration for personal services if that individual or entity fails
- 6 to report the payments required under Section 13050 of the
- 7 Unemployment Insurance Code or Section ~~18637~~ or ~~18638~~ 18631

1 on the date prescribed therefor (determined with regard to any  
2 extension of time for filing).

3 SEC. 2. Section 19175 of the Revenue and Taxation Code is  
4 amended to read:

5 19175. (a) In addition to the penalty imposed by Section 19183  
6 (relating to failure to file information returns), if any person or  
7 entity fails to report amounts paid as remuneration for personal  
8 services as required under Section 13050 of the Unemployment  
9 Insurance Code or ~~Sections 18637 and 18638~~ *Section 18631* on  
10 the date prescribed therefor (determined with regard to any  
11 extension of time for filing), that person or entity may be liable  
12 for a penalty determined under subdivision (b).

13 (b) For purposes of subdivision (a), the amount determined  
14 under this subdivision is the maximum rate under Section 17041  
15 multiplied by the unreported amounts paid as remuneration for  
16 personal services.

17 (c) The penalty imposed by subdivision (a) shall be assessed  
18 against that person or entity required to file a return under Section  
19 13050 of the Unemployment Insurance Code or ~~Section 18637 or~~  
20 ~~18638~~ *18631*.

21 (d) Article 3 (commencing with Section 19031) of this chapter  
22 (relating to deficiency assessments) shall not apply with respect  
23 to the assessment or collection of any penalty imposed by  
24 subdivision (a).

25 (e) The penalty imposed under subdivision (a) shall be in lieu  
26 of the penalty imposed under Section 13052.5 of the  
27 Unemployment Insurance Code (relating to unreported  
28 compensation). In the event that a penalty is imposed under this  
29 section and Section 13052.5 of the Unemployment Insurance Code,  
30 only the penalty imposed under Section 13052.5 of the  
31 Unemployment Insurance Code shall apply.

32 SEC. 3. Section 24447 of the Revenue and Taxation Code is  
33 amended to read:

34 24447. The Franchise Tax Board may disallow a deduction  
35 under this part to an individual or entity for amounts paid as  
36 remuneration for personal services if that individual or entity fails  
37 to report the payments required under Section 13050 of the  
38 Unemployment Insurance Code or ~~Section 18637 or 18638~~ *18631*

- 1 on the date prescribed therefor (determined with regard to any
- 2 extension of time for filing).

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